

DE 00-087

**GRANITE STATE ELECTRIC COMPANY**

**Proposal for Default Service Rates for  
May 1, 2000 through October 31, 2000**

**Order Granting Partial Approval and Scheduling Hearing**

**O R D E R    N O.    23,453**

**May 1, 2000**

**I.    PROCEDURAL HISTORY AND COMPANY PROPOSAL**

Granite State Electric Company (the Company) filed a proposal with the Commission, on April 17, 2000, setting forth the Company's revised Default Service rate for the period covering May 1, 2000 to October 31, 2000. The Company requests that the proposed rates become effective on May 1, 2000. Along with its request, the Company submitted the testimony of Michael J. Hager, the Standard Offer Portfolio Manager for New England Power Service Company.

The Commission approved the Company's Default Service Proposal for the period January 1, 2000 to April 30, 2000 on January 27, 2000 in Order No. 23,393. This earlier Default Service was to be provided through a short-term wholesale supply arrangement with Morgan Stanley Capital Group, Inc. Order No. 23,393 required the Company to place the Default Service load out to competitive bid prior to the expiration of the Morgan Stanley supply arrangement.

On February 15, 2000, the Company issued a request for proposal (RFP) to competitive suppliers for the period May 1, 2000 to October 31, 2000. As a result of this process the Company chose Southern Company as its wholesale supplier of Default Service and Transition Service 2 for the subject period. The contract with Southern allows the Company to procure Default Service power at fixed rates for the months of May, June, September and October, and at floating prices for July and August. During July and August the Company proposes to procure power at a formula rate designed to match the actual hourly NEPOOL spot market and pay Southern Company a "supplier fee" for administering that power supply. The Company also proposes that the price of installed capacity (ICAP) will float with the spot market for the entire six (6) month period, although the Company is investigating the possibility of entering a supplementary financial arrangement with a third party to hedge the floating electric prices for July and August, as well as the ICAP prices.

The Company indicates that the retail cost of Default Service will be as follows: May 2000 - 3.8¢/kWh; June 2000 - 6.5¢/kWh; September 2000 - 4.0¢/kWh; and October 2000 - 3.6¢/kWh. The Company also indicates that the ICAP price in the above figures is assumed at \$0.00 per kW-mo and that an

ICAP price of \$1.50 per kW-mo applied at a 70% load factor would increase the prices by approximately 0.3¢/kWh. Currently, there are no customers receiving Default Service from the Company.

If the Company does have Default Service customers it proposes to bill those customers on a "bills-rendered basis." The Company will create an average fixed price for bills rendered which will be the average of the prior month's price and the present month's price.

Finally, the Company asks for an expedited review and approval of the revised proposed rates and requests waiver of any rule that may delay the implementation of the rates.

## **II. COMMISSION ANALYSIS**

We have reviewed the material in Granite State's filing and are initially concerned over the timing of the proposal. The Company is asking that we approve the Default Service proposal in less than 14 days. We recognize that it takes time to put Default Service out to bid and to ultimately negotiate a contract with a supplier. Nonetheless, a two week turn-around does not give us enough opportunity to evaluate the reasonableness of the proposal. We also, however, recognize that there are uncertainties in the forward energy market and risks of serving the load which certainly have

influenced the methodology of procuring power for the period in question.

RSA 374-F:3, III (c) states that "default service should be procured through the competitive market and [be] based on short term market prices...." It appears that the Company has abided by these requirements as is evidenced by the prefiled testimony of Mr. Hager. We will, therefore, approve the proposal as filed, subject to a potential reconciliation once our Staff has had an opportunity to evaluate the proposal through an expedited investigation.

We also note that in Order No. 23,393 we directed the Company to notify its customers about the availability of Default Service and how to access the list of competitive suppliers registered to supply energy to Granite State customers. To date, we have not seen anything from the Company that indicates compliance with our directive. The Company should, therefore, provide us with information on how it met the requirements we imposed in Order 23,393.

The following schedule is implemented to fully assess the proposed Default Service rates:

Granite State to provide Notice to customers	May 10, 2000
Data Requests to Company	May 12, 2000
Data Responses	May 19, 2000

Staff Testimony

May 30, 2000

Hearing

June 6, 2000

**Based upon the foregoing, it is hereby**

**ORDERED**, that Granite State Electric Company provide Default Service, effective May 1, 2000 through October 31, 2000 at the fixed prices of 3.8¢/kWh for May, 2000; 6.5¢/kWh for June, 2000; 4.0¢/kWh for September, 2000; and 3.6¢/kWh for October 2000; adjusted for ICAP prices above \$0.00 per kW-mo. The Company will procure Default Service at the spot market prices for the months of July and August; and it is

**FURTHER ORDERED**, that the Petitioner shall file a compliance tariff with the Commission on or before May 10, 2000, in accordance with NH Administrative Rules, PUC 1603.02(b); and it is

**FURTHER ORDERED**, that these rates are subject to reconciliation depending on the outcome of the investigation being opened as discussed herein; and it is

**FURTHER ORDERED**, that the Company will provide public notice in a paper of general circulation no later than May 10, 2000 regarding the investigation and schedule.

By order of the Public Utilities Commission of New  
Hampshire this first day of May, 2000.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary